

BANK INDONESIA REGULATION  
NUMBER: 7/22/PBI/2005  
CONCERNING  
THE INTRADAY LIQUIDITY FACILITY FOR COMMERCIAL BANKS

THE GOVERNOR OF BANK INDONESIA,

- Considering:
- a. whereas to support the expeditious operation of the payments system in Indonesia, Bank Indonesia has launched the Bank Indonesia – Real Time Gross Settlement System (BI-RTGS System) and the Bank Indonesia National Clearing System;
  - b. whereas to avoid gridlock in the BI-RTGS System, which could endanger financial system stability, Bank Indonesia has provided the Intraday Liquidity Facility to member Commercial Banks in the BI-RTGS System;
  - c. whereas to anticipate the possibility of default by Banks as members of the Bank Indonesia national clearing system, Bank Indonesia also deems it necessary to expand the provision of the Intraday Liquidity Facility to Commercial Banks to include settlement of debit clearing to Commercial Banks, in addition to the objective referred to in letter b;
  - d. now therefore based on the considerations referred to in letter a, letter b, and letter c, it is deemed necessary to enact improved

provisions ....

provisions concerning the Intraday Liquidity Facility for Commercial Banks in a Bank Indonesia Regulation;

- In view of:
1. Act Number 7 of 1992 concerning Banking (State Gazette of the Republic of Indonesia Number 31 of 1992, Supplement to the State Gazette of the Republic of Indonesia Number 3472) as amended by Act Number 10 of 1998 (State Gazette of the Republic of Indonesia Number 182 of 1998, Supplement to the State Gazette of the Republic of Indonesia Number 3790);
  2. Act Number 23 of 1999 concerning Bank Indonesia (State Gazette of the Republic of Indonesia Number 66 of 1999, Supplement to the State Gazette of the Republic of Indonesia Number 3843) as amended by Act Number 3 of 2004 (State Gazette of the Republic of Indonesia Number 7 of 2004, Supplement to the State Gazette of the Republic of Indonesia Number 4357);
  3. Bank Indonesia Regulation Number 5/15/PBI/2003 concerning the Short-Term Funding Facility for Commercial Banks (State Gazette of the Republic of Indonesia Number 99 of 2003, Supplement to the State Gazette of the Republic of Indonesia Number 4317) as amended by Bank Indonesia Regulation Number 7/21/PBI/2005 (State Gazette of the Republic of Indonesia Number 68 of 2005, Supplement to the State Gazette of the Republic of Indonesia Number 4518);
  4. Bank Indonesia Regulation Number 6/2/PBI/2004 concerning the Bank Indonesia – Scripless Securities Settlement System (BI-SSSS) (State Gazette of the Republic of Indonesia Number 15 of

2004, Supplement to the State Gazette of the Republic of Indonesia Number 4363);

5. Bank Indonesia Regulation Number 6/8/PBI/2004 concerning the Bank Indonesia Real Time Gross Settlement System (State Gazette of the Republic of Indonesia Number 28 of 2004, Supplement to the State Gazette of the Republic of Indonesia Number 4373);
6. Bank Indonesia Regulation Number 7/18/PBI/2005 concerning the Bank Indonesia National Clearing System (State Gazette of the Republic of Indonesia Number 65 of 2005, Supplement to the State Gazette of the Republic of Indonesia Number 4516);

HAS DECREED:

To enact:           THE BANK INDONESIA REGULATION CONCERNING THE  
INTRADAY LIQUIDITY FACILITY FOR COMMERCIAL  
BANKS.

Article 1

The terminology used in this Bank Indonesia Regulation has the following meanings:

1. “Bank” is a Commercial Bank as defined in Act Number 7 of 1992 concerning Banking, as amended by Act Number 10 of 1998, conducting conventional banking business.
2. “Bank Indonesia - Real Time Gross Settlement System,” hereinafter referred to as the BI-RTGS System, is a funds transfer system as defined in the Bank

Indonesia regulatory provisions concerning the Bank Indonesia Real Time Gross Settlement System.

3. “Bank Indonesia - Scripless Securities Settlement System,” hereinafter referred to as BI-SSS, is a system for conducting electronic transactions with Bank Indonesia and administration of securities as defined in the Bank Indonesia regulatory provisions concerning the Bank Indonesia - Scripless Securities Settlement System.
4. “Bank Indonesia National Clearing System”, hereinafter referred to as SKNBI, is a clearing system operated by Bank Indonesia as defined in the Bank Indonesia regulatory provisions concerning the Bank Indonesia National Clearing System.
5. “Debit Clearing” is the activity in the SKNBI for debit transfers as defined in the Bank Indonesia regulatory provisions concerning the Bank Indonesia National Clearing System.
6. “Intraday Liquidity Facility,” hereinafter referred to as FLI, is the funding facility extended by Bank Indonesia to Banks in their capacity as members of the BI-RTGS System and members of the SKNBI, repayable on the same day as the day of use;
7. “Intraday Liquidity Facility for the RTGS,” hereinafter referred to as FLI-RTGS, is an Intraday Liquidity Facility for resolving the funding difficulties of Banks occurring during the operating hours of the BI-RTGS System.
8. “Intraday Liquidity Facility for Clearing,” hereinafter referred to as FLI-Kliring, is an Intraday Liquidity Facility for resolving the funding difficulties of Banks occurring during settlement of Debit Clearing results.

9. “Short-Term Funding Facility,” hereinafter referred to as FPJP, is the funding facility provided by Bank Indonesia to Banks as defined in the Bank Indonesia Regulation concerning the Short-Term Funding Facility for Commercial Banks;
10. “Bank Indonesia Certificates,” hereinafter referred to as SBIs, are Rupiah denominated securities issued by Bank Indonesia in recognition of short-term debt;
11. “Government Securities,” hereinafter referred to as GS, are securities in the form of debt instruments as defined in Act Number 24 of 2002 concerning Government Securities.

## Article 2

- (1) A Bank may obtain an Intraday Liquidity Facility, whether in the form of FLI-RTGS or FLI-Kliring, after signing an Agreement for Use and Collateral Security of Intraday Liquidity Facility and submitting the required supporting documents to Bank Indonesia.
- (2) A Bank may use an Intraday Liquidity Facility as referred to in paragraph (1) subject to meeting the following requirements:
  - a. holding securities in the form of SBIs and/or GS usable as collateral;
  - b. is not under suspension as member Bank of the BI-RTGS and/or member of the BI-SSSS, and/or terminated as clearing Bank; and
  - c. is not under imposition of sanctions preventing it from obtaining FPJP.

### Article 3

Bank Indonesia has the power to reject or terminate use of the Intraday Liquidity Facility if a Bank no longer meets the requirements referred to in Article 2 paragraph (2) letter a through letter c.

### Article 4

- (1) Securities shall be placed as collateral as referred to in Article 2 paragraph (2) letter a for use of an FLI-RTGS and/or FLI-Kliring by means of the BI-SSSS as follows:
  - a. For FLI-RTGS, the Bank must transfer the securities to the FLI-RTGS collateral account in the BI-SSSS during the operating hours of the BI-RTGS System when the Bank deems that a need exists for the Intraday Liquidity Facility (self-assessment) to expedite transactions in the BI-RTGS System; and
  - b. For FLI-Kliring, the Bank must transfer the securities to the FLI-Kliring collateral account in the BI-SSSS for prefund as stipulated in the Bank Indonesia regulatory provisions concerning the Bank Indonesia national clearing system.
- (2) Securities transferred to the FLI-Kliring collateral account as referred to in paragraph (1) letter b may not be used as collateral for FLI-RTGS.

### Article 5

- (1) Calculation of the selling value of SBIs and market value of GS placed as collateral by a Bank for use of an Intraday Liquidity Facility shall be subject to

the applicable Bank Indonesia Regulation concerning the Short-Term Funding Facility for Commercial Banks.

- (2) The maximum value of an Intraday Liquidity Facility that may be used by a Bank is the collateral value as referred to in paragraph (1), transferred by the Bank to the securities collateral account in the BI-SSSS.

#### Article 6

- (1) Use of the FLI-RTGS shall take place automatically when the Rupiah demand deposit of a Bank at Bank Indonesia has insufficient balance for an outgoing transaction.
- (2) Use of the FLI-Kliring shall take place automatically when the Rupiah demand deposit of a Bank at Bank Indonesia has insufficient balance to meet the obligations of the Bank from settlement of Debit Clearing.
- (3) Use of FLI-RTGS and FLI-Kliring as referred to in paragraph (1) and paragraph (2) shall proceed on the basis of adequate collateral value for the Intraday Liquidity Facility in the FLI-RTGS and FLI-Kliring collateral accounts.
- (4) If the FLI-Kliring collateral value is insufficient to cover Debit Clearing settlement obligations as referred to in paragraph (2) and paragraph (3), the FLI-RTGS collateral value available in the FLI-RTGS collateral account shall be automatically used to cover the Debit Clearing settlement obligations.

#### Article 7

Bank Indonesia may restrict the types of transactions for which use of the Intraday Liquidity Facility is permitted.

#### Article 8

Bank Indonesia may charge Banks interest for the Intraday Liquidity Facility and/or other fees pertaining to use of the Intraday Liquidity Facility.

#### Article 9

- (1) Repayment of the Intraday Liquidity Facility shall be executed automatically by the BI-RTGS System for each incoming transaction credited to the Rupiah demand deposit account of the Bank concerned at Bank Indonesia until the deadline for repayment of the Intraday Liquidity Facility.
- (2) The Bank shall repay the Intraday Liquidity Facility within the deadline stipulated by Bank Indonesia for repayment of the Intraday Liquidity Facility.
- (3) If the Bank does not repay the value of the Intraday Liquidity Facility within the prescribed deadline for repayment of the Intraday Liquidity Facility, the unrepayable value of the Intraday Liquidity Facility shall be treated as FPJP.

#### Article 10

- (1) The Bank may return securities from the collateral account to the trading account in the BI-SSSS in the event that:
  - a. the Intraday Liquidity Facility has been repaid as referred to in Article 9 paragraph (1);
  - b. the securities previously transferred to the collateral account are not being used as collateral for an Intraday Liquidity Facility.
- (2) Return of securities from the collateral account to a trading account as referred to in paragraph (2) for purposes of FLI-Kliring shall be subject to the Bank Indonesia provisions regulating the Bank Indonesia national clearing system.



#### Article 11

If an Intraday Liquidity Facility as treated as FPJP as referred to in Article 9 Paragraph (3):

- a. the Bank shall be subject to the applicable Bank Indonesia regulatory provisions concerning the FPJP for Commercial Banks; and
- b. the collateral for the Intraday Liquidity Facility shall be treated as collateral for FPJP.

#### Article 12

If the Bank is unable to repay an Intraday Liquidity Facility due to failure of the BI-RTGS System and/or BI-SSSS, the Intraday Liquidity Facility shall be repaid automatically in the event of any incoming transaction immediately after the BI-RTGS System and/or BI-SSSS system has resumed operation.

#### Article 13

Any Bank that has signed an Agreement on Use and Collateral Security of Intraday Liquidity Facility at the time of promulgation of this Bank Indonesia Regulation must renew the Agreement on Use and Collateral Security of Intraday Liquidity Facility.

#### Article 14

Any clearing Bank within a Clearing area that has not applied the SKNBI may use the FLI-RTGS for settlement of clearing obligations occurring before the cut off warning for the BI-RTS System.

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Article 15

Further provisions concerning the Intraday Liquidity Facility shall be stipulated in a Circular Letter of Bank Indonesia.

Article 16

With the enactment of this Bank Indonesia Regulation, Bank Indonesia Regulation Number 6/6/PBI/2004 dated February 16, 2004, concerning the Intraday Liquidity Facility for Commercial Banks is revoked and declared no longer valid.

Article 17

This Bank Indonesia Regulation shall come into force on August 3, 2005.

Enacted in Jakarta

Dated August 3, 2005

THE GOVERNOR OF BANK INDONESIA,

BURHANUDDIN ABDULLAH

ELUCIDATION  
TO  
BANK INDONESIA REGULATION  
NUMBER: 7/22/PBI/2005  
CONCERNING  
THE INTRADAY LIQUIDITY FACILITY FOR COMMERCIAL BANKS

GENERAL REVIEW

During the course of their business, Banks commonly experience short-term funding difficulties brought about by mismatch between the inflow and outflow of funds. With the introduction of transaction settlement using the Bank Indonesia Real Time Gross Settlement (BI-RTGS) system, in which payment transactions are settled one by one in real time, there is a strong likelihood that Banks will experience extremely short term funding difficulties. These funding difficulties will arise from mismatch between the timing and/or value of outgoing transactions and incoming transactions. Such difficulties if sustained by one or more Banks sustain without immediate resolution are feared could lead to gridlock in the payment system that would disrupt the smooth operation of the payment system and ultimately destabilize the overall financial system.

To resolve gridlocks in payments as described above, Bank Indonesia provides funding for extremely short periods during the operational hours of the BI-RTGS System in the form of the Intraday Liquidity Facility (FLI) for Commercial Banks that must be repaid by the Bank at the end of the same day.

In addition to provision of the Intraday Liquidity Facility to resolve gridlocks in the BI-RTGS System, provision of the Intraday Liquidity Facility is

also needed to resolve obligations arising in the settlement of debit clearing that are borne by Bank Indonesia as operator of the clearing system. In this regard, Bank Indonesia deems it necessary to adopt a policy requiring participants in Debit Clearing to provide prefunding in the form of cash and/or securities (collateral) at the beginning of each day before commencement of debit clearing. In regard to prefund in the form of securities, the mechanism for provision, use, and repayment thereof shall operate in the form of an Intraday Liquidity Facility specifically for clearing as per the Intraday Liquidity Facility earlier provided by Bank Indonesia for transactions in the BI-RTGS System.

The provision of the Intraday Liquidity Facility is consistent with Bank Indonesia's task of safeguarding the smooth operation of the payment system as stipulated in Article 15 of Act Number 23 of 1999 concerning Bank Indonesia as amended by Act Number 3 of 2004.

Application for the Intraday Liquidity Facility and securities administration for application for the Intraday Liquidity Facility is made using the Bank Indonesia – Scripless Securities Settlement System (BI-SSSS), connected directly to the BI-RTGS System. The use of the BI-SSSS is expected to expedite the process of application for the Intraday Liquidity Facility and minimize settlement risks.

## ARTICLE BY ARTICLE

### Article 1

Self-explanatory.

### Article 2

#### Paragraph (1)

Attached supporting documents include, but are not limited to, photocopy of the Articles of Association of the Bank or power of

attorney ...

attorney from a branch office of a foreign Bank, duly authenticated by the Bank.

Paragraph (2)

Letter a

Self-explanatory.

Letter b

Criteria for suspension are subject to the applicable Bank Indonesia Regulation concerning the Bank Indonesia – Real Time Gross Settlement and/or the applicable Bank Indonesia Regulation concerning the Bank Indonesia – Scripless Securities Settlement System and/or the applicable Bank Indonesia Regulation concerning the Bank Indonesia National Clearing System.

Letter c

Self-explanatory.

Article 3

Self-explanatory.

Article 4

Paragraph (1)

Letter a

Self-explanatory.

Letter b

"Prefund" is defined as the provision of funds and/or securities by a member Bank of the SKNBI at the beginning of day before commencement of debit clearing. In these provisions, the prescribed prefund is in the form of securities.

Paragraph (2) ...

Paragraph (2)

Self-explanatory.

Article 5

Paragraph (1)

Self-explanatory.

Paragraph (2)

Self-explanatory.

Article 6

Paragraph (1)

Automatic use of the FLI-RTGS is defined as immediate use of the collateral value of securities pledged by the Bank to cover any insufficient balance in the Rupiah demand deposit account at Bank Indonesia.

Paragraph (2)

Self-explanatory.

Paragraph (3)

Self-explanatory.

Paragraph (4)

Self-explanatory.

Article 7

Self-explanatory.

## Article 8

The interest charges for the Intraday Liquidity Facility and other charges shall be stipulated in a Circular Letter of Bank Indonesia.

## Article 9

### Paragraph (1)

As long as a Bank continues to use an Intraday Liquidity Facility, the BI-RTGS System shall automatically apply funds from incoming transactions for repayment of the Intraday Liquidity Facilities.

The process of use and repayment of an Intraday Liquidity Facility shall continue until the deadline for repayment of the Intraday Liquidity Facility.

### Paragraph (2)

Self-explanatory.

### Paragraph (3)

Self-explanatory.

## Article 10

Self-explanatory.

## Article 11

In the event that the Intraday Liquidity Facility is treated as a Short-Term Funding Facility (FPJP), the Bank shall not need to submit a written application for FPJP in respect of conversion of unrepayable Intraday Liquidity Facility to FPJP.

If the Bank is using and extending the term of FPJP, the value of the Intraday Liquidity Facility shall be combined into the value of the FPJP in

use by the Bank and the number of days that the FPJP has been used by the Bank.

#### Article 12

Failure of the BI-RTGS system is defined as failure of the RTGS Central Computer (RCC) rendering all BI-RTGS Member Banks and/or Bank Indonesia unable to send transactions from RTGS terminals (RTs) to the RCC.

Outage of one or more RTs and/or outage of the RTGS network rendering one or more BI-RTGS Member Banks unable to send transactions to the RCC shall not be deemed as outage of the BI-RTGS System.

Failure of the BI-SSSS System is defined as failure of the System Central Computer (SCC) in the BI-SSSS installation, rendering all Banks and/or Bank Indonesia unable to send transactions from system terminals (STs) to the SCC.

#### Article 13

Self-explanatory.

#### Article 14

Self-explanatory.

#### Article 15

Key points of the provisions to be stipulated in the Circular Letter of BI include the following:

1. Procedure for submission of the Agreement for Use and Collateral Security of the Intraday Liquidity Facility;
2. Deadline for use and repayment of an Intraday Liquidity Facility;

3. Procedure ...



3. Procedure for transfer of securities from the trading account to the collateral account, and vice-versa;
4. Procedure for calculation and charging of interest for an Intraday Liquidity Facility and/or fees for use of an Intraday Liquidity Facility.

Article 16

Self-explanatory.

Article 17

Self-explanatory.